Secrt. II-87—37,604—12-12-45.

Deal (1949) Department.

Ms. SERIES.

G.O. No. 1271

Dated 11-3-49

[Despatch Abstract.]

Acts and Rules —. State Aid to Industries Act. Application from Kamaths Bros Mangalore for a loan of Rs. 1,00,000- — Rejected.

No.S.A.7305/48 dated 7-3-49 Industries and Commerce Department.

From : The Director of Industries and Commerce, Chepauk, Madras.

To The Secretary to Government, Development Department, Madras.

Sir,

9 MAR 25695

Sub: St to Aid to Industries- Application from Fernandez Bros, Mangalore for a loan of Rs. 1,00,000/-

Sri B. Fernandez, on behalf of M/s. Fernandez Brothers, Importers and Exporters, Mangalore has applied under the Madras State Aid to Industries Act for a loan of Rs. 1,00,000/- for their cashewnut roasting and processing factory. I enclose a copy of the application together with a copy of the note prepared thereon for the use of the Board of Industries.

The application was placed before the Board of Industries at its meeting held on the 1st March 1949 when the Board resolved to recommend REJECTION of the application.

An extract of the proceedings of the meeting is also enclosed.

for Director of Industries and Commerce.

s.b/5-3

S.A.7905/48

A Note for the Board of Industries on the application of Messrs Fernandes Brothers, Mangalore, for a loan of Rs-1,00,000/- repayable in seven annual instalments under the Madras State Aid to Industries Act.

M/s. Fernandes Brothers , Mangalore is a partnership firm which deal in cashew nuts and kernals, coffee, pepper, cardamoms, nux vomica, etc. They have set up a factory at Kulsekar, Mangalore, for the roasting and peeling of cashew nuts and extraction of cashew oil. The firm consists of four partners as follows:

(i) Mr. B. Fernándiz, the managing partner holding power of attorney for the rest of the partners and possessing an absolute right to dispose of the property of the firm in any manner he likes
(ii) Mr. G. Fernandiz, a brother of the above
(iii) Mrs. B.P. Fernandiz, a sister-in-law of the above
and (iv) Mr. Joseph B. Diaz

Each of the above is reported to have 2/7th share in the business except the last who has only 1/7th share.

The applicants state that their plant can produce 8 to 10 lakhs pounds of cashew kernel per year. They propose to utilise the loan for purchasing and installing another cashew nut roasting machine and an oil engine to generate power and work the roasting machines. The applicants state that the rate of interest charged by local lenders is very high and all the profits earned will go to pay interest. Hence their application to Government for a loan.

The applicants claim that they could earn an average profit of Rs. 20/25 thousands per annum and that their profits during 1948 were actually over Rs.12/15 thousands. The statements of the working of the firm furnished by the applicants do not however appear to bear out their optimistic estimates.

Year.	Sales Turnover.	Net Profits or loss
1945	Rs. 5,54,920-11-5	- Rs. 6263-11-7 loss
1946	" 5,00,335-5- 0	- " 30578-4-0 loss

2. As required by Section 8(2) of the Madras State Aid to Industries Act and as prescribed by the rules framed thereunder, notices inviting objections to the grant of the aid applied for were published. No objections were however received.

3. The security for the loan consists of

(i) Land: The land on which the applicant's factory is erected and of extent 4 acres has been valued by the Collector of S. Kanara at Rs. 6000/-

(ii) Buildings: The factory buildings have been estimated by the Collector of S Kanara to cost Rs. 30,000 at present. The District Industries Officer, Tellichery however values them at Rs. 60,980/- The Executive Engineer(P.W.D)Mangalore, who has also been requested to value them has not sent in his reports yet, but his report will be placed before the members of the Board of Industries at the time of their meeting; if received by that time.

(iii) Machinery: The only machinery in the applicant's factory is the Cashew-nut roaster which has been valued by the Collector of S. Kanara at Rs. 10,000/- and by the District Industries Officer, Tellichery at Rs. 5000/- The District Industries Officer's valuation may be accepted as representing the present value.

p.t.o

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Even adopting the higher value given by the District Industries Officer for the buildings, the total value of the security comes to only Rs. 71,980/ and allowing for possible depreciation in the value of assets at the rate of 33 1/3% adopted by the Board, the maximum loan that can be recommended is only Rs. 24,000. There is however a mortgage of Rs. 30,000/- on the assets and the loan will clearly not be sifficient to release the assets from the mortgage and much less suffice for the purchase of any additional machinery. If the mortgage amount is deducted from the stable value of the assets, the nett stable value of the security is only Rs. 18000/- which will entitle the applicants to a maximum loan of Rs. 9000/- only.

The Collector of S. Kanara has reported that Mr. B. Fernandiz has extensive experience in the cashew-nut and kernel trade and hence may be expected to use his experience for the benefit ~~to use his experience for the benefit~~ of the industry. He also reports that his borrowing powers are rated very high in local banking circles upto Rs. 1,60,000 . He is however reported to be not willing to offer any other assets than those mentioned above as security for the loan applied for.

4. The Board's attention is also invited to the fact that Cashew nut roasting and peeling is a well established industry, at any rate in Mangalore and its suburbs and the members of the Board visited three of them including the applicants' at the time of the November meeting of the Board. Section 5(1) d of the Madras State Aid to Industries Act stipulates that no aid shall be given to an industry which has already been well established unless there are any special reasons. In the present case, no such special reasons appear to exist.

5. The views of the Board of Industries are invited on the application.

S.B/3-2

ORM OF APPLICATION FOR AID UNDER THE STATE AID TO INDUSTRIES ACT,1922.
(NO. V. OF 1923).

1. NAME OF APPLICANT AND HIS FULL ADDRESS.

B. Fernandes, Post Box No. 62, Mangalore, South India.

2. NATURE OF THE INDUSTRIAL CONCERN FOR WHICH AID IS SOUGHT.

Fernandes Brothers (Cashewnut roasting and processing factory)

3. THE ADMINISTRATIVE TECHNICAL AND EXECUTIVE STAFF EXISTING OR TO BE APPOINTED WITH QUALIFICATIONS.

Manager - Intermediate passed.
One Accountant - Intermediate passed.
One clerk - S.S.L.C. Passed.
One clerk - S.S.L.C. Failed.
Four Supervisors - III Form passed.
Four Mucadam supervisors.

4. THE FACILITIES AVAILABLE FOR THE DEVELOPMENT OF THE INDUSTRY.

Increase of availability of labour, raw nuts etc.

5. THE NATURE OF THE PROCESSES TO BE EMPLOYED.

Two office clerk - 1 graduate and 1 S.S.L.C.
Supervisors - 4 additional
Labourers - 400 additional.

6. DETAILS OF PLANT AND MACHINERY INSTALLED OR PROPOSED TO BE INSTALLED AT THE WORKS.

Installed casehwnut oil extracting machines -
Propose to install one more machine.

7. THE TOTAL ESTIMATED COST OF THE UNDERTAKING AND THE PROBABLE TIME THAT WILL BE OCCUPIED IN ITS EXECUTION (DETAILS OF RECURRING AND NON RECURRING EXPENDITURE SHOULD BE FURNISHED SEPARATELY)

Approximately 70,000/-for the erection of machine and for the working etc.

8. APPROXIMATE NUMBER OF OPERATIVES EMPLOYEDOR TO BE EMPLOYED.

Approximately 650/900 labourers.

9. ESTIMATED NET EXPENDITURE PER ANNUM IN RUNNING THE WORKS.

Approximately Rs. ~~25/30 thousands~~ Rs. 2,00,000/-

10. ESTIMATED NET PROFITS ACCRUING.

Approximately Rs. 25/30 thousands.

11. REASONS WHY THE BUSINESS CANNOT BE FINANCED WITHOUT STATE ASSISTANCE.

The interest will be charged at a very high rate by the local lenders and all the profits earned will go for interest and so may not be able to work on a larger scale.

12. NATURE AND EXTENT OF STATE AID APPLIED FOR. (THE PARTICULAR CLAUSE OF SECTION 6 UNDER WHICH THE AID IS APPLIED FOR SHOULD BE STATED).

A sum to the extent of one lac of rupees - Rs. 1,00,000/-

p.t.o.

13. SECURITY OFFERED:--

(a) If land.

(i) Survey Number	129/1 of Padavu village, Kulsekher and factory buildings thereon.
(ii) Extent	4 acres.
(iii) Assessment.	Mulgeni rent Rs. 300/- a year.
(iv) In whose name registered:	Registered in the name of Messrs. Fernandes Brothers.
(b) Nature and description of other security, if any, offered:	Besides the land, factory buildings, thereon.

14. NATURE AND EXTENT OF THE APPLICANT'S RIGHT IN THE CONCERN WHETHER ASCO SHARER OR PROPRIETOR OR OTHERWISE AND HIS FINANCIAL RESOURCES.

2/7 th portion of the right. - co-sharer and an employee of the firm.

15. NATURE AND EXTENT OF THE APPLICANT'S RIGHT TO THE PROPERTY OFFERED AS SECURITY.

2/7th portion as above.

16. NATURE AND EXTENT OF ENCUMBRANCES ON THE IMMOVABLE PROPERTY OFFERED AS SECURITY - - PRIMARY OR COLLATERAL.

Rs. 30,000/- primary.

17. WHETHER ANY ARREARS ARE DUE ON THE IMMOVABLE PROPERTY OFFERED AS SECURITY PRIMARY OR COLLATERAL AND IF SO THE NATURE AND EXTENT OF SUCH ARREARS.

Yes. to the extent of Rs. 20,000/-

18. PERIOD WITHIN WHICH AND THE NUMBEROF INSTALMENTS IN WHICH THE APPLICANT PROPOSES TO REPAY THE LOAN.

Seven years. beginning from the end of second year.
First instalment Rs. 10,000/-and 6 of Rs.15,000/- each
90,000/-
100,000

19. APPROXIMATE ADDITIONAL NET INCOME EXPECTED TO BE EARNED AS A RESULT OF THE PROPOSED EXPENDITURE. -- -- Rs.10/15 thousands.

20. - - - -

21. ANY OTHER REMARKS: In case we are granted the facility asked for, we can increase our productions and thereby export considerable quantity of goods. The Cashew Kernels find a great maket in United States of America and more than 90% of the Indian production of cashew kernels are being exported to this country. By earning more dollars it might facilitate our Government to import more essential articles, in which India is lacking at present.

DECLARATION: I, B. Fernandes, declare that the statements made above are true to the best of my information and belief.

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kap. 22-10.

Extract of Proceedings of Meeting True Copy Vgunaya 8/3 Superintendent

(3) Application of M/s. Fernandes Bros, Bangalore, for a loan of Rs. 1,00,000- The Board felt that in view of the reasons given in paragraph four of the note prepared on the application by the Director of Industries and Commerce, it could not recommend the grant of any financial assistance to the applicants. The Board therefore resolved to recommend rejection of the application.

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Development Dept.

Sub: Acts and Rules - State Aid to Industries Act
Application from Messrs Fernandes Brothers,
Mangalore for a loan of Rs.1 lakh
- Rejected.

Read the following:--

From the D.I. & C. No. S.A7905/48 d/ 3.3.49

G.O. MS. No. 1271 Dated 11.3.1949

The Board of Industries having declined to recommend the application from Messrs. Fernandes Brothers, Mangalore for State aid, the application is rejected under Section 8(5) of the Madras State Aid to Industries Act of 1922 (Madras Act V of 1923).

TO the D.I. & C.